The Systems "Interface" to the Financial Improvement Plan

Mr. Ed Johnson

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Agenda

- The system environment
- ASN(FM&C) FM Vision
- BMMP
- System assessments and approvals… and the FIP

Today's Systems Environment: The "As-Is"

- DoD-Wide views
  - Too many systems… redundant
  - Predominantly unique… stove-piped
    - Poor integration, interoperability
    - Unique data elements
  - Limited visibility in budget
    - Discrete elements of spending lacking
  - Difficult to support technologically
  - Difficult to audit

Today's Systems Environment: The "As-Is"

- DON Efforts
  - Migrating to Converged ERP and other standard systems
  - FAMs rationalizing systems… portfolio management
  - Echelon IIs working toward 50% system reduction
  - DON Comptrollers implementing FIP-related system changes

- OSD Efforts
  - BMMP/Domains directed to develop BEA and system transition plan by Sep 05
  - Domains conducting systems/SCR reviews/approvals in regards to alignment with BEA/transition plan
  - Domains reviewing system budgets for potential realignments

ASN(FM&C) Financial Management Vision

- Provide accurate, timely, and reliable financial information to decision makers
- Provide an automated environment to support the efficient production of auditable financial statements
- Support business process standardization
- Support the use of a “common language” (USSGL)
- Reduce disparate IT systems
- Enhance “Enterprise” integration
- Reduce long-term IT costs

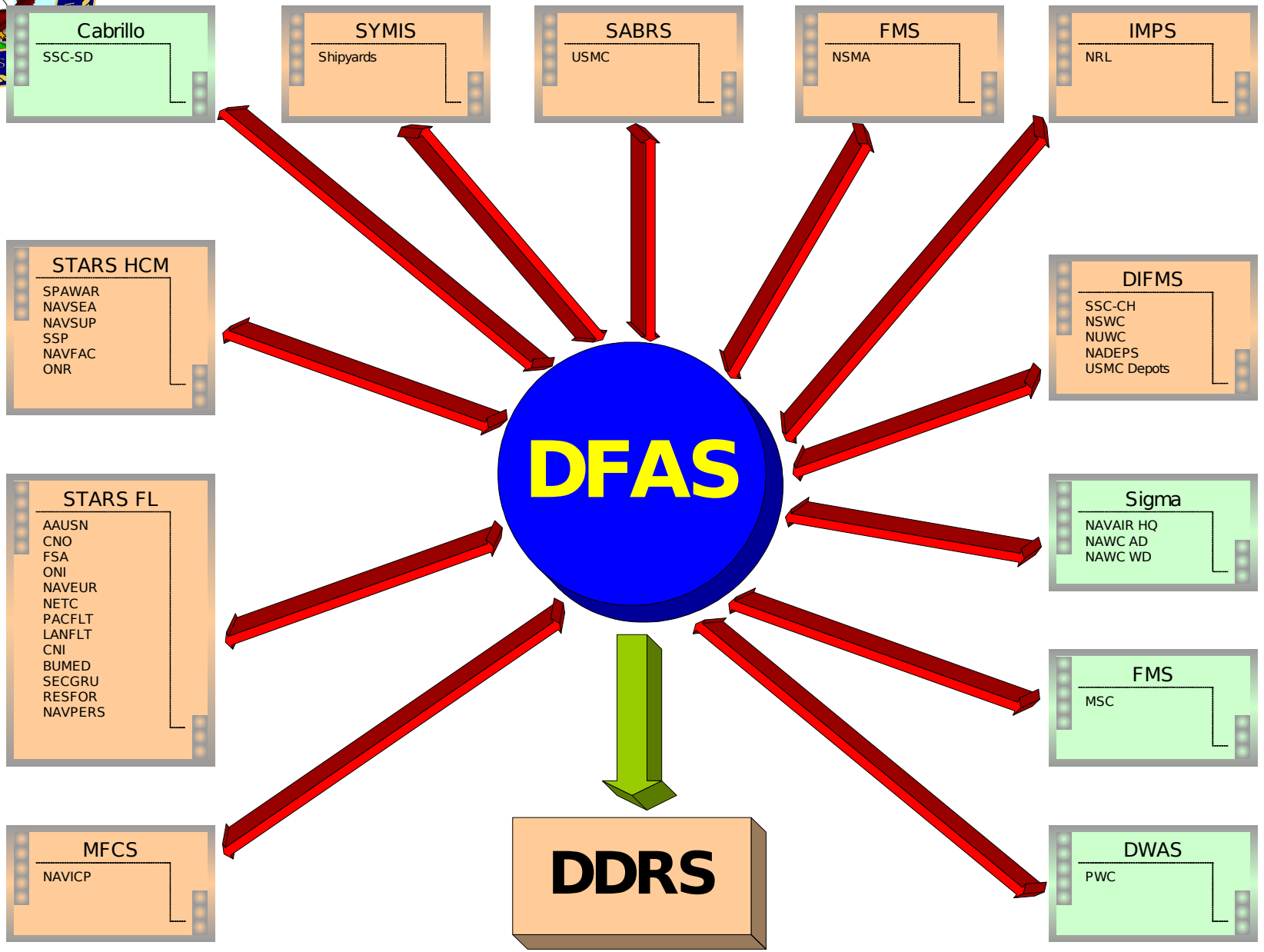
Aligns the Department of the Navy with the goals and direction of the

DoD Enterprise Architecture

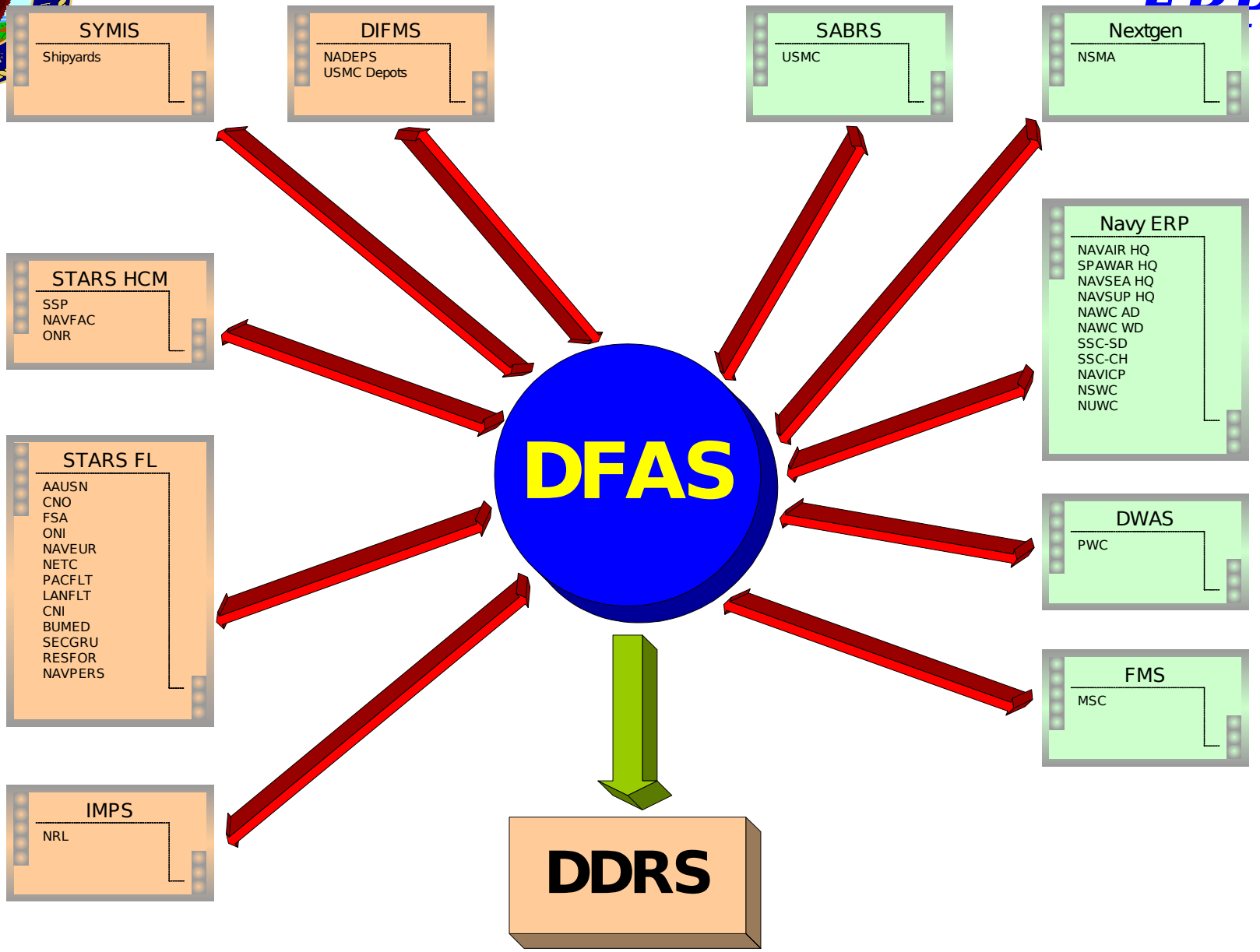
Means to the FM Vision

- DoD Business Enterprise Architecture… Blueprint
  - Standardize business processes
  - Effect systems portfolio management
  - Provide data standards
- Converged ERP… Cornerstone
  - Implement a modern, integrated COTS software product
  - Reengineer business processes
- Functional Area Manager Process… Transition Tool
  - Rationalize FM systems… portfolio management
  - Standardize business processes
- DoD Financial Improvement Initiative… Plan
  - Clean Financial Statements
  - Unqualified Audit Opinions
  - DON Financial Improvement Plan

Systems View: Current

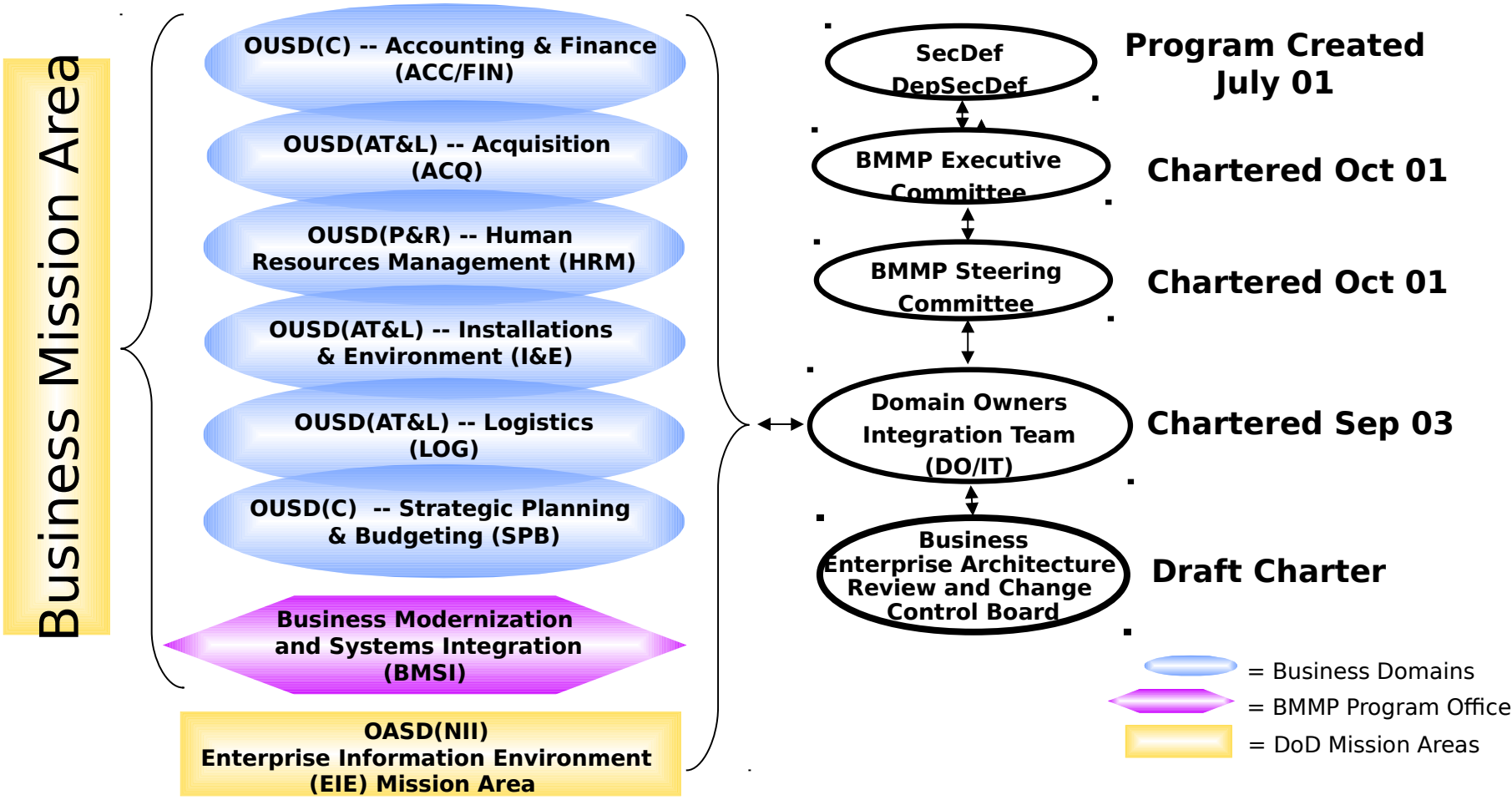


Systems View: Post Converged ERP



BMMP Program Direction and Transformation Strategies

BMMP Governance Structure


Business Mission Area
OUSD(C) -- Accounting & Finance (ACC/FIN)
OUSD(AT&L) -- Acquisition (ACQ)
OUSD(P&R) -- Human Resources Management (HRM)
OUSD(AT&L) -- Installations & Environment (I&E)
OUSD(AT&L) -- Logistics (LOG)
OUSD(C) -- Strategic Planning & Budgeting (SPB)
Business Modernization and Systems Integration (BMSI)
OASD(NII) Enterprise Information Environment (EIE) Mission Area
SecDef DepSecDef
Program Created July 01
BMMP Executive Committee
Chartered Oct 01
BMMP Steering Committee
Chartered Oct 01
Domain Owners Integration Team (DO/IT)
Chartered Sep 03
Business Enterprise Architecture Review and Change Control Board
Draft Charter
= Business Domains
= BMMP Program Office
= DoD Mission Areas

Implementation Milestones – FY 05 Acts

+ 60 Days:

DEPSECDEF:

1) Delegate responsibility for oversight to PSA/NII

2) Name Vice-Chair to Defense Business Systems Management Committee (DBSMC)

Submit FY 06 Budget for Business Systems:

1) Identify each business for which funds are proposed in budget

2) Broken out by color of money and purpose (development/operation)

3) System Owner (PSA/NII)

4) Certifications

Complete BEA to Include:

Transition Plan:

1) Acq Strategy for all **new** systems to Complete BEA

2) List of legacy business systems + sunset dates

3) List of legacy business systems and remediation strategy

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Date

Dec 31, 2004	Feb 1, 2005	March 15, 2005	Sep 30, 2005	Oct 1, 2005
Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5

❖**FY '05 Appropriations Act Provisions (SEC. 8083):**

All System improvements **must** be registered with DoD CIO before appropriated funds can be obligated

❖**FY '05 Requirements for Financial Improvement Plans for System Investments over $1M (SEC. 8083):**

DoD Comptroller:
1) Shall Approve: Milestones "A," "B," & Full-Rate Production
2) May require additional certifications as appropriate

DoD CIO:
1) Shall certify Clinger-Cohen Act Compliance for all Systems
2) May require additional Certifications as appropriate
3) Shall notify Congressional Defense Committees of **System Certifications to include, at a minimum:**
•Funding Baseline
•Milestone Schedule

CIO notification shall confirm the following steps:
1) Business Process Reengineering
2) An analysis of alternatives
3) Economic Analysis + Return on Investment
4) Performance Measures
5) Information Assurance Strategy consistent with DoD GIG

Establish an Investment Review Process:

[(USD(P&R), USD(C), USD(AT&L), NII]:

To Include:

1) Armed Forces Combatant Commands
2) JCS
3) Defense Agencies

Submit Congressional Report that establishes baseline for completing BEA, Transition Plan:

1) Status of Certifications

2) Business operation improvements as a result of Transformation

3) Subsequent reports on progress against Plan

Business System Certification Requirements in-full-force for expenditures in excess of $1Million:

With:

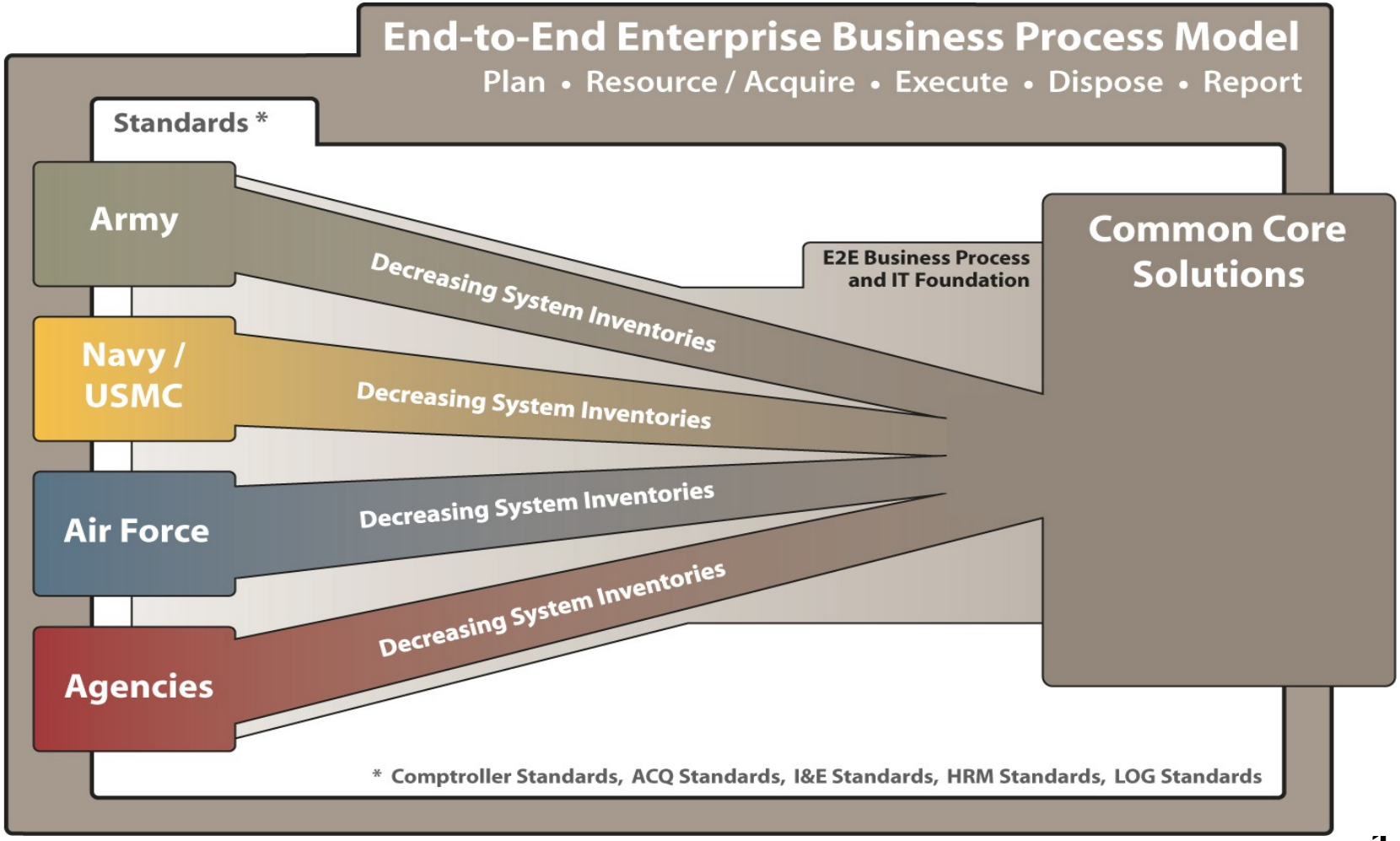
1) Defense Business Systems Management Committee (DBSMC) Approval Authorities

2) Non-compliance constitutes a violation of the Anti-Deficiency Act (ADA)

Version 8: As Of 10/21/04

DoD Business System Transformation Strategy

Domain Transformation Strategy


End-to-End Enterprise Business Process Model
Plan • Resource / Acquire • Execute • Dispose • Report
Standards *
Army
Navy / USMC
Air Force
Agencies
Decreasing System Inventories
Decreasing System Inventories
Decreasing System Inventories
Decreasing System Inventories
E2E Business Process and IT Foundation
Common Core Solutions
* Comptroller Standards, ACQ Standards, I&E Standards, HRM Standards, LOG Standards

DoD IT Investment Rules

- USD(C) memo of 16 Jul 2004
  - All System Improvements > $1M must get USD(C) Approval
  - All System Improvements < $1M must get Domain Approval (except Priority 1 or 2 SCRs)
  - All Priority 1 or 2 SCRs must get Component Approval
- P.L. 108-87, Section 8084 (FY 2004)
- P.L. 107-314, Section 1004 (FY 2003)
- USD(C) memo of 12 Oct 2001

A & F Domain Portfolio Management

- Developed a system inventory of accounting, finance and budget systems across DoD from multiple, disparate IT databases and registries, thereby establishing a baseline from which to do portfolio management.

- Established a system assessment process that is feeding information into the Domain portfolio of systems upon which funding decisions will be made

Existing System Classifications

- Core
  - Generally compliant with architecture
  - Best overall performance in category
  - Economically justified
- Interim
  - Requires significant investment to comply with architecture
  - Possesses some desirable attributes needed by the enterprise
  - Further investment may or may not be economically justifiable
- Legacy
  - Required investment for architectural compliance cannot be justified
  - Substandard performance in category

New System Starts

- Go Decision
  - Compliant with architecture
  - No significant functional overlap with existing systems unless designated as a replacement system
  - Significant economic benefits over and above existing systems in its category
- No Go Decision
  - Not compliant with architecture
  - Significant functional overlap without significant economic benefits over existing systems and not designated a replacement system
  - Risk-adjusted economic analysis indicates it is not economically viable

A & F Domain System Steps

- A & F assessment steps
  - Provide system technical and functional summary
  - Identify sponsor and user base
  - Identify security, Clinger-Cohen, FFMIA, JFMIP compliancy
  - Identify budget and sunset date
- A & F system improvement steps… spending $s
  - Describe problem to be fixed and impact if not implemented
  - Complete an Economic Viability Tool and Validation Statement
    - To show return on investment/cost & benefit profile
    - Looking for actual savings: in systems and labor
  - Looking for tie-in to the FIP
- A & F considers most systems “Legacy”

Tie-In to the FIP

- Describe change in terms of accomplishment of the FIP: relevance to clean financial statements and compliance
- Change must be identified specifically as a line item within the FIP… down to SCR number
- A DON FIP funding request must be completed and approved by FMO
- A & F Domain will provide package to OUSD(C) policy group to validate FIP tie in and seek approval

Summary

- DON and DoD want clean financial statements
- To realize this goal:
  - Need to develop a supporting, logical vision and system transition plan… to guide/control direction to the goal
  - Need to identify the changes to achieve compliancy… leveraged by changes to systems within context of plan… or wait for the target environment (e.g., MAC in C-ERP)
  - Need strong portfolio management processes… to control IT investments